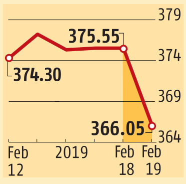
STOCKS IN THE NEWS

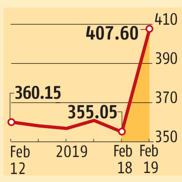
Wipro



Top loser in Nifty 50 index

₹366.05 CLOSE ▼2.53% DOWN*

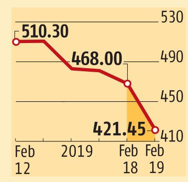
Emami



Promoters divested 10 per cent stake in the company to pare debt

₹407.60 CLOSE ▲14.80% UP*

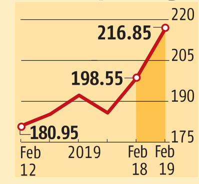
Kaveri Seeds Company



Stock falls 18% in four days on weak Q3 earnings

₹421.45 CLOSE ▼9.95% DOWN*

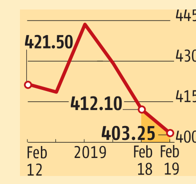
Dhampur Sugar Mills



Margins could improve due to increase in minimum support price

₹216.85 CLOSE ▲9.22% UP*

Graphite India



State pollution control board orders Bengaluru plant shutdown

₹403.25 CLOSE ▼2.15% DOWN*

*OVER PREVIOUS CLOSE

For Chandrasekaran, TCS remains a jewel in the crown

Titan now 2nd-most valuable firm, accounts for 10% of m-cap of all group companies

KRISHNA KANT
Mumbai, 19 February

On the second anniversary of N Chandrasekaran's (Chandra, as he is popularly referred to) appointment as Tata Sons chairman, the owner and promoter of India's largest private sector business group seems more dependent on Tata Consultancy Services (TCS) to keep the group finances on an even keel.

2 YEARS IN BOMBAY HOUSE

In the past two years, Tata Sons has earned around ₹33,000 crore by way of equity dividend and share buyback from TCS, more than it earned from the firm in the past five years. Nearly two-thirds of this amount came from TCS' share buyback in 2017 and 2018.

Before becoming group chairman, Chandra was heading information technology (IT) services major TCS as its managing director (MD) and chief executive officer.

In 2017-18, TCS accounted for nearly 91 per cent of all dividend income that Tata Sons received from various listed group companies. The ratio was around 85 per cent in 2013-14 and just 60 per cent in 2008-09, the year after the Lehman crisis. The holding company also netted around ₹11,763 crore by surrendering a part of its stake in TCS' share buyback programme in 2017.

This dependence on TCS is making analysts somewhat concerned. They say it makes Tata group vulnerable to a sharp slowdown in the global economy. "The volume growth in global IT services business is now down to low single digits, making it tough for India's technology companies such as TCS to grow fast. Industry growth could decline further if the global economy slows down later this year and the next year as anticipated," says G Chokkalingam, founder and MD, Equinomics Research & Advisory Services.

Chokkalingam has a point. A large upside in Tata Sons income from TCS has come by way of the latter dipping into its cash reserves rather than faster earning growth. For example, the TCS payout in 2017-18 (FY18), including share buyback, was greater than its profits, forcing the company to plough into its cash reserves. In the first nine months of the current financial year too, 90 per cent of its profits have been distributed by way of share buyback and dividend. This limits the ability of Tata Sons to earn an ever larger income from TCS to fund the capital requirement of cash guzzlers in the group. In FY18, Tata Sons is estimated to have earned ₹6,881 crore as dividend income from TCS. Its second-largest source was Tata Steel at ₹306 crore, followed by Tata Chemicals at ₹131.5 crore.

This has kept Tata Sons' coffers flowing despite a steady decline in dividend income from other key group companies. For example, Tata Motors skipped the dividend payout for FY18 as it battles poor profitability at its Jaguar Land Rover unit.

Tata Motors is the largest Tata company, accounting for a little over a third of the group assets and 45 per cent of the combined revenues of all listed group companies.

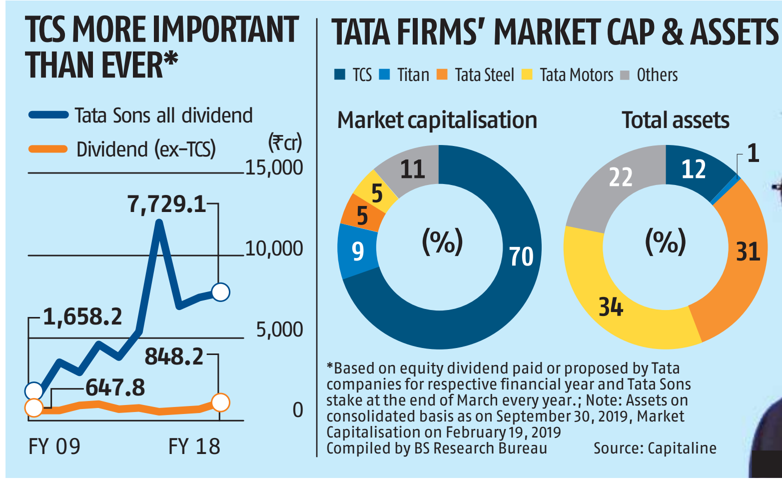
Tata Steel, the group's second-largest firm, in terms of revenues and profits, paid more dividend 10 years ago than now. Similarly, the dividend payout by Tata Power - the third-biggest company, in terms of assets, has remained unchanged for the last four years. Tata Sons reported its highest-ever revenues of ₹32,730 crore in FY18, of which ₹7,569 crore came from dividend income and another ₹19,816 crore came by way of profits on sale of investment, including surrender of TCS shares during the buyback.

In this financial year so far, TCS has contributed around ₹14,786 crore to its parent by way of interim dividend and share buyback. No other Tata company has declared interim dividend during this financial year so far, nor has there been a share buyback by any other Tata firm.

TCS, Titan Company, and Voltas are now the only group companies that have seen a steady increase in dividend payout in the last few years. However, the dividend amount paid by the latter two firms is still too small to move the needle. Besides, Tata Sons only owns 20.85 per cent of Titan and 26.64 per cent of Voltas, limiting its upside from these two companies. In contrast, in TCS, it owns 72 per cent stake.

Titan is now, however, the second-most valuable company in the group, accounting for nearly 10 per cent of the combined market capitalisation of all group companies and ahead of much bigger companies such as Tata Motors, Tata Steel, and Tata Power.

To put it differently, the two companies — TCS and Titan — account for just 13 per cent of group's assets (or investments) now, while they take up nearly 80 per cent of all market capitalisation.



*Based on equity dividend paid or proposed by Tata companies for respective financial year and Tata Sons stake at the end of March every year.; Note: Assets on consolidated basis as on September 30, 2019, Market Capitalisation on February 19, 2019
Compiled by BS Research Bureau
Source: Capitaline

N Chandrasekaran

IN BRIEF

ArcelorMittal buys back 4 mn shares worth $89 million

Global steel giant ArcelorMittal on Tuesday said it repurchased four million shares worth $89 million under its share buyback programme. The steel major bought back shares at an average price of €19.894. The company on February 7 had announced the launch of the share buyback programme. "ArcelorMittal has repurchased 4 million shares for a total value of approximately €79,577,540 (equivalent $89,679,370) at an approximate average price per share of €19.894," the company said. The shares acquired under this programme "are intended to meet ArcelorMittal's obligations arising from employee share programmes", it added. PTI

India Inc plans 10% more investment in 2 years: Study

Most of the mid-to-large sized Indian corporates plan to increase their investment by 10 per cent in two years regardless of political uncertainties, global law firm Baker McKenzie said on Tuesday. "A pulse survey of 100 C-suite executives in India found more than three quarters of mid-to-large sized Indian companies still plan to increase domestic investment by at least 10 per cent over the next two years," it said. PTI

Twitter launches political ad-tracking tools in Europe

Twitter on Tuesday rolled out tools in Europe which will make it easier for voters to identify political campaign ads tied to crucial European Parliament elections in May amidst fears of Russian disinformation campaigns and threats of regulatory action. Social networks such as Twitter and Facebook have come under pressure to do more to combat fake news and the spread of extremism and propaganda online. REUTERS

Safran to build unit in Hyderabad, make parts for LEAP engine

French aerospace company Safran on Tuesday announced it would invest €36 million in Hyderabad to build a turbine component manufacturing facility for its advanced LEAP commercial jet engines. The new plant will start producing the first parts in early 2020, said Safran CEO Philippe Petitcolin. BS REPORTER

Maruti's compact SUV Vitara Brezza crosses 400,000 sales mark

Maruti Suzuki India on Tuesday said its compact SUV Vitara Brezza crossed the 400,000 units' sales milestone in less than three years of launch. In this financial year, the firm said, the model has grown at an average of 7 per cent with a monthly average of sales of 14,675 units. The Vitara Brezza was launched in 2016. PTI

Bansal may join Ola board after ₹650-cr investment

This is the largest funding by an individual in the ride-hailing firm

PEERZADA ABRAR
Bengaluru, 19 February

Ride-hailing firm Ola on Tuesday confirmed an investment of ₹650 crore ($92 million) from Flipkart co-founder Sachin Bansal.

This investment, which has been made by Bansal in his personal capacity as an investor, is part of Ola's larger Series J funding round and values the Bengaluru firm at around $6.5 billion, according to sources with the direct knowledge of the development.

Sources confirmed that with this investment, Bansal will be accorded a board seat in Ola, giving his business insights and expertise in taking the company to the next level. The investment will boost the Bhavish Aggarwal-co-founded firm in its battle against Uber, which is rapidly gaining share in India. A spokesperson of Ola, however, declined to comment on the matter.

"I have known Bhavish as an entrepreneur and as a friend over these years, and I have great respect for what he and the team at Ola have built in just eight years," Bansal was quoted as saying in an official communique issued by the company.

"I am personally thrilled to be part of the Ola journey and I look forward to contributing to their success," said Bansal, who along with Aggarwal in the past had called for policies that protect domestic companies against their global competitors Amazon and Uber. They had alleged that these firms were "dumping capital" to win customers in India.

However, US retail giant Walmart's $16-billion investment in Flipkart last May for an initial stake of approximately 77 per cent not only provided blockbuster exits to the investors but also made the founders — Sachin Bansal and Binny Bansal — into billionaires.

Besides Ola, Sachin Bansal has also made investments in many start-ups, including electric vehicle maker Ather Energy, and SigTuple, which uses artificial intelligence to aid medical diagnosis.

With regard to his investment in Ola, Bansal said that on the one hand, the ride-hailing major had emerged as a global force in the mobility space and on the other it continued to build deeper for various needs of a billion Indians through its platform.

BHAVISH AGGARWAL, CEO, Ola

"I PERSONALLY LOOK FORWARD TO LEARNING FROM SACHIN'S JOURNEY, HIS MENTORSHIP AND GUIDANCE, AS WE LOOK TO BUILD ONE OF THE MOST IMPACTFUL GLOBAL BUSINESSES OUT OF INDIA"

SACHIN BANSAL, Co-founder, Flipkart

"I HAVE KNOWN BHAVISH AS AN ENTREPRENEUR AND AS A FRIEND OVER THESE YEARS, AND I HAVE GREAT RESPECT FOR WHAT HE AND THE TEAM AT OLA HAVE BUILT IN JUST EIGHT YEARS"

In January, Bansal invested the first tranche of around ₹150 crore ($21 million) into Ola, according to the company's filing with the Registrar of Companies. However, that was part of the ₹650-investment that Ola announced now.

"I personally look forward to learning from Sachin's journey, his mentorship and guidance, as we look to build one of the most impactful global businesses out of India," said Bhavish Aggarwal, chief executive officer at Ola.

Srikanth Bhagavat, managing director, Hexagon Capital Advisors, a boutique wealth management company, said that unlike manufacturing business, successful entrepreneurs in the technology industry were trying to figure out how to deploy their wealth and were investing in new ventures like Ola. "They are entrepreneurs who have figured out this is what they are best at, and that is why the conviction level is high to invest their wealth (in such ventures)," said Bhagavat. He, however, said these entrepreneurs might have been good with their business but they should also be good at figuring out the new entrepreneurs they are backing.

Founded in 2010 by IIT-Bombay alumni Bhavish Aggarwal and Ankit Bhati, Ola has raised a total of $3.4 billion in funding over 19 rounds from global investors, including SoftBank, Accel, and Tiger Global Management, according to data platform Crunchbase. Using the Ola mobile app, users across more than 125 cities can connect with over a million drivers across a diverse range of vehicles. Driven by a hyperlocal approach, Ola said it is committed to its mission of building mobility for a billion people.

MakeMyTrip to offer zero interest loans

NEHA ALAWADHI
New Delhi, 19 February

In an industry-first initiative, online travel portal MakeMyTrip (MMT) has tied up with digital lending platform Capital Float for providing travel finance for customers, which will let them avail of credit facility of up to ₹2 lakh to book flights, hotels, holidays or international travel. Customers will be able to pay back in monthly instalments of up to nine months at zero interest and with zero down payment.

Now an invite-only programme, it will be rolled out for 10 million eligible customers in the first phase. MMT had 37 million transacted customers until the beginning of February, across all its platforms, including Goibibo and redBus.in.

Its tie-up with Capital Float will enable customers to pay back in monthly instalments of up to nine months at zero interest and with zero down payment

Targeted at customers who may be low in credit preference for banks or new to credit, the programme, called MMT Travel Finance, will let selected customers enrol after completing a two-step registration process. After this, they will be assigned a credit limit to make travel purchases.

"We have the capability to deploy advanced machine learning and Big Data analytics to offer easy travel finance options and help customers cut through time-consuming paperwork to sanction and process credit. This tech-powered credit solution will help fulfil the need for access to credit for a large number of unserved or underserved customers," said Rajesh Magow, co-founder and chief executive officer-India, MMT.

The credit limit will be assigned based on customers' transaction pattern on MMT and credit bureau record check done for interested customers. The process approval takes less than 30 seconds on the MMT app, which is followed by credit line activation after requisite know-your-customer norms are fulfilled.

"With this product, we have retained an excellent customer experience at the core of the offering, as customers can avail of zero cost travel finance from Capital Float with just a few clicks. We are thrilled to continue expanding upon our DNA of being a disruptor in the fintech space. We've presently pre-approved nearly 10 million customers and look forward to financing the requests of millions more on MMT," said Sashank Rishyasringa, co-founder, Capital Float.

The pilot phase was rolled out for customers at the end of December, just ahead of the holiday season. Those who signed up largely utilised their credit limit to purchase holiday packages and international trips for themselves and their friends and family, according to MMT. It plans to scale up the feature across all its business lines and roll it out on its travel platform Goibibo.

'JSW Cement set for retail launch of paints business in April'

JSW Cement is busy chalking out plans to add another 8 million tonnes in order to be on time for its initial public offering (IPO) planned for 2021. Besides expansion in cement, managing director of JSW Cement **PARTH JINDAL** is also preparing for a retail launch of its paints business in April and hopes for a turnaround for Delhi Capitals, the Indian Premier League team for Delhi. In an interview with **Amritha Pillay**, Jindal shares the details. Edited excerpts:

What is the timeline for the planned IPO of the cement business?

It should be rolled out by the first half of calendar year 2021. We plan to dilute 15 per cent stake in the first round and then the mandatory 25 per cent has to be met in the next three years. We look to raise around ₹3,500 crore to fund our expansion to reach 30 million tonne capacity.

What is the expansion plan for cement?

Our Odisha project, which is in the final stages, will take us to 14 million tonne per annum (MTPA) capacity from the current 12.6 MTPA. In the next 18 to 24 months, I am planning to take the company to 20 million tonne, through brown-field growth, adding capacity in east, south and north markets. This will involve an investment of ₹1,500 crore. Of this, ₹500 crore will be internal accruals and the remaining ₹1,000 crore raised through debt.

What keeps you away from the north India market?

We took limestone mines in recent auctions, but land remains to be acquired. The JSW group does not have a presence in the north other than in the power sector. But after the IPO, we will look at the northern market. Our current strategy is based on the ability to source fly ash and slag from our group companies, which is also our biggest advantage. With Bhushan Power and Steel coming into the group, slag availability is possible in the east India market.

"CLINKER IMPORT CONTINUES FOR OUR WEST AND EAST INDIA OPERATIONS. OUR CLINKER UNIT IN THE UAE IS UNDER CONSTRUCTION AND IMPORT FROM THIRD PARTY WILL MOVE TO CAPTIVE IMPORTS ONCE THAT IS COMPLETE IN MARCH 2020"

What gives you the confidence to expand, when cement prices are still weak?

Our growth rate has been at 54 per cent last year, against the industry average of 15 to 20 per cent; so we are clearly eating into somebody else's market share. We also have a significant cost advantage over fly ash and slag and also save on raw material transportation costs. The steel sales network also helps sell cement and with the paint launch, we will become a one-stop solution. That adds to our confidence.

Q&A

Tell us your plans for the paint business?

We are looking at the first city launch around April and will start with south India and gradually add more cities for decorative paint. The city launch is for Bengaluru, Hyderabad, Kerala and Tamil Nadu, and is expected to be pre-monsoon. The total investment outlay for this business is ₹1,000 crore, of which ₹600 crore has already been spent. The remaining ₹400 crore will be invested in the next 18 months.

Is there more development on the sports business side?

For sports business, our hands are full with Delhi Capitals and the focus is to turn around at the moment.

How much is the cement business expected to contribute to the group's revenue once the expansion is complete?

At 20 MTPA, we are looking at ₹10,000 crore top line. By that time, the group will be larger, and may be our contribution would be 8 to 10 per cent. However fast I (JSW Cement) grow, steel is growing faster.

A few years back, industry experts were apprehensive about the clinker import plan. Where does it stand?

Clinker import continues for our west and east India operations. Our clinker unit in the UAE is under construction and import from third party will move to captive imports once that is complete in March 2020. Industry and analysts were apprehensive, when we started this and I am happy we were private then, giving us time to prove the strategy. It gives us the ability to have a low capital employed business, as we do not need to set up clinker units. Our strategy is to first set up grinding units and then backward integrate it.

Your cement expansion is expected to be brown field. Is the company shying away from acquisitions?

The valuation became very steep. We used the group's support to bid for Lafarge and Binani, but the valuations went way higher than what we thought was fair value. Looking at how efficiently we can add 6 million tonnes, inorganic looks inefficient and post-IPO, surely this will change.